# Q+A: Multi's faceted approach after management buyout

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React News spoke to Multi board members and co-CEOs Elmar Schoonbrood and Steven Poelman about the road ahead

Steven Poelman and Elmar Schoonbrood

After completing a management buyout from Blackstone in March, Multi Corporation is mapping out its new strategy and business model for the road ahead. Managing over 80 properties in 13 European countries, Multi plans to grow its asset management business, while also exploring development opportunities and co-investments.

Blackstone bought the firm in 2013, and since then Multi has acted as an asset manager, developer and retail investment firm on behalf of the private equity giant. In March, Multi board members and co-CEOs Elmar Schoonbrood and Steven Poelman bought the company including 11 of its assets.

*React News* spoke to Schoonbrood and Poelman about the buyout, the future of Multi and their outlook for the retail sector.

## What was the reason for the buyout?

**Steven Poelman (SP):** Multi is a unique and successful company and we were keen to expand the business. We thought a management buyout was the best way to do this.

> *"Now that we have completed the management buyout, it provides the opportunity for further private equity clients to work with Multi"*
>
> ELMAR SCHOONBROOD

Many institutional investors, particularly European investors, are continuing to invest in Europe as there is an increasing need for development and redevelopment, updating, optimising and repositioning of assets.

## What will happen to the Multi-owned assets?

**SP:** Multi retains ownership of 11 assets including the portfolio in Turkey. Multi will continue to manage all of the property assets. Part of the portfolio has changed to third party asset management mandates on behalf of Blackstone.

## Did Blackstone relinquish control over any of the assets in your portfolio? Is there an aspect of distress?

**Elmar Schoonbrood (ES):** Blackstone didn't relinquish control of any of the assets in this portfolio, no. That was not the rationale for the deal.

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> ELMAR SCHOONBROOD

The portfolio isn't distressed but Turkey has been quite challenging, mainly as a result of the changes in legislation and the depreciation of the lira.

## How will you tackle the challenges of the Turkey portfolio?

**ES:** If you look at the asset quality we have in Turkey, it's absolutely phenomenal. We have some of the best assets in Turkey, including two in Istanbul of 135,000 sq m (1.4m sq ft) and 176,000 sq m. Both of these 'super tanker' shopping malls, Marmara Forum and Forum Istanbul respectively, are performing exceptionally well.

The challenge is that the rent is paid in lira and the lira has depreciated a lot, which is something we have to manage. We are working with our banking partners to come up with a long-term strategy, and hopefully the Turkish market will recover. But it's more of an economic recovery rather than an asset recovery.

Forum Istanbul

## What are Multi's assets under management?

**ES:** We estimate the value of the assets we manage to be approximately €5bn but we hope to increase that to almost €6bn over the next few months. We have won a lot of new mandates this year and we have started to really focus on growing the asset management business. I think we can significantly grow our assets under management in the next five years, perhaps even double them.

## What does the future of Multi look like?

**ES:** We will continue to focus on the asset management side of the business. As we look to expand this, we will also look closely at development opportunities linked to retail. We are retail experts, but we are also active in the residential sector, for example completing retail-to-resi conversions and residential additions to existing retail centres.

> *"It is now possible to buy a very prime shopping centre in a dominant location, with rents that have bottomed out, at a cap-rate twice as high as logistics or residential"*
>
> STEVEN POELMAN

Now that we have completed the management buyout, it provides the opportunity for further private equity clients to work with Multi.

Furthermore, with our own balance sheet, we are now better positioned to do co-investments.

**SP:** We are also looking to do new joint ventures. If there's an asset management or redevelopment angle for smaller assets, we would be open to that as well.

## When announcing the buyout, you said you would broaden your services to other asset classes. What does that entail?

**ES:** Our focus is very much on the retail sector. One area of recent growth are mandates to reposition existing schemes into mixed-use properties, by adding residential, office, hospitality, services, or healthcare usages.

A recent example is Forum Rotterdam. On a relatively small footprint, various buildings were transformed to create an integrated mixed-use development. The scope included the conversion of an office tower into 104 apartments, the refurbishment of a monumental building into modern office and client service space, and retail and restaurant units on the ground floor.

Forum Rotterdam

Another example is Vulcano Buono, a 90,000 sq m shopping centre in Naples, designed by architect Renzo Piano. Multi, as the asset manager, will work with the owners to develop the annual business plan and lead the leasing and marketing strategy. The property is adjacent to a large warehouse complex attracting nearly 10,000 daily commuters, so it has a tremendous opportunity to incorporate additional usages besides retail.

## Are you looking to enter other countries?

**ES:** Multi used to be very active in the UK and developed properties such as Victoria Square in Belfast and Southgate in Bath. It also used to manage the Stratford shopping centre, the Houndshill centre in Blackpool and St Enoch in Glasgow.

With my 20-year presence in London and a team ready to start operations, the intention therefore is to re-enter the UK market. There is a huge opportunity in the UK retail sector, it's a large market and there are a lot of undermanaged retail assets as well some distressed assets where Multi could add value. We just finished our roadshow in London to speak to owners and see how we can help them. I would be very surprised if we don't have an office here in the next year.

**SP:** We are also opening an office in Switzerland as we are taking over the management of Mall of Switzerland on 1 June 2022, and we are very keen to enter France too.

## What is your outlook for the retail sector?

**ES:** The retail market has already seen significant change and will continue to do so in the coming years. We remain very optimistic about the retail sector and the new opportunities it presents. Not all retail is the same and the market is so diverse. I once said there are 50 shades of retail, and that's still very much the case: you've got dominant shopping centres, secondary shopping centres, retail parks, outlet centres, high street retail, and grocery anchored retail – you can't say that all retail is challenged. Certain types of retail are in favour by investors such as grocery anchored retail and standalone supermarkets.

**SP:** We have begun to see rents for retail starting to bottom out. There has been a lot of pressure on rental levels and as a result the relative value of retail compared to other property types should become very attractive. It is now possible to buy a very prime shopping centre in a dominant location, with rents that have bottomed out, at a cap-rate twice as high as logistics or residential. That makes an interesting investment, especially in a potential economic scenario where interest rates go up, because you will still have a very large spread. A dynamic market environment with plenty of reasons to be optimistic for the future.